The May Department Stores Company Annual Report -- 1940
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The May Department Stores Company

ANNUAL REPORT

FOR THE YEAR ENDED JANUARY 31, 1919

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DIRECTORS

Louis D. Beaumont	Tom May
Samuel B. Butler	Wilbur D. May
Jerome Dauby	Charles M. Rice
Nathan L. Dauby	Alfred Rose
Alvin D. Goldman	Walter E. Sachs
Lincoln Gries	Fred Z. Salomon
Robert H. Gries	Sydney M. Shoenberg
Robert Lehman	Leonard Strauss
Morton J. May	

OFFICERS

Morton J. May	*President*
Louis D. Beaumont	*Vice-President*
Samuel B. Butler	*Vice-President and Secretary*
Jerome Dauby	*Vice-President*
Nathan L. Dauby	*Vice-President*
Tom May	*Vice-President*
Wilbur D. May	*Vice-President*
Fred Z. Salomon	*Vice-President and Treasurer*
Sydney M. Shoenberg	*Vice-President*
Leonard Strauss	*Assistant Secretary and Assistant Treasurer*
Leo J. Wieck	*Assistant Secretary and Assistant Treasurer*

Appointed Vice-Presidents

Harmon S. Auguste	H. L. Katz
L. M. Bodenheimer	Samuel Leask, Jr.
Walter J. Brunmark	Alfred Triefus

Transfer Agent

Irving Trust Company,
New York, N. Y.

Registrar

Lawyers Trust Company
New York, N. Y.

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St. Louis, March 22, 1941.

To the Stockholders of
The May Department Stores Company:

The thirty-first annual report of your Company is submitted herewith, including consolidated balance sheet as of January 31, 1941, and consolidated surplus and profit and loss statements for the fiscal year.

Consolidated net income of your Company and its wholly-owned subsidiary companies for the fiscal year, after provision of $2,024,000.00 for federal taxes on income, including $350,000.00 for excess profits tax, amounted to $5,046,798.58, equivalent to $4.10 per share of capital stock outstanding (exclusive of shares held in the treasury) at the close of the year, compared with $4,402,894.66, or $3.58 per share for the previous year.

Cash dividends amounting to $2.25 per share were paid during the fiscal year, and the dividend of 75 cents per share normally payable on March 1st was paid on January 22, 1940 and was included in our statement for the previous fiscal year.

Net sales for the year were the largest in the history of your Company and amounted to $112,954,904.02 compared with $103,905,198.65 for the previous year, an increase of $9,049,705.37.

Adequate provision has been made for possible losses on all customers' notes and accounts receivable.

Inventories of merchandise at January 31, 1941 amounted to $14,685,942.45 compared with $14,345,711.93 at January 31, 1940. At the close of the fiscal year, your Company was obligated for no purchase commitments in excess of the usual requirements for normal operations.

Charges to consolidated income for the fiscal year, in the amount of $817,244.60, have been made to provide for depreciation and amortization of buildings and leaseholds. At January 31, 1933, the carrying values of furniture, fixtures, delivery and other equipment were reduced to nominal sums of $1.00 each, by charges to earned surplus, and the cost of subsequent additions have been charged as expense against earnings; consequently, no provision has been made during the fiscal year in respect of depreciation of these items. The net amount of additions so expensed in the fiscal year was $537,208.97.

Current assets of your Company and its wholly-owned subsidiaries at January 31, 1941 amounted to $38,466,678.27 and current liabilities to $7,672,278.75, or a ratio of 5 to 1.

Total taxes for the fiscal year (exclusive of those included in cost of goods sold) amounted to $3,943,916.05 ($3.20 per share), compared with $2,861,026.97 ($2.32 per share) for the previous year, an increase of $1,082,889.08 or 88 cents per share.

New store additions are under construction at Baltimore, Maryland, and Denver, Colorado, and both should be completed within the present year. Your Company purchased an entire block of land adjacent to the new branch store on Wilshire Boulevard in Los Angeles, California. This property is being used for customers' additional parking facilities. The installation of the air-conditioning system in the St. Louis store has been completed. These additions and improvements necessitate rather large capital expenditures and, to meet these requirements, your management increased and extended the long-term bank loans under favorable conditions.

The mortgage indebtedness of two of our wholly-owned subsidiary real estate holding companies was refinanced during the year under terms which reduced the interest rates and extended the maturities.

I wish to express my sincere appreciation of the loyal cooperation of directors, officers and employees.

Respectfully,

MORTON J. MAY,
President.

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TELEPHONE CHESTNUT 7061

CABLE ADDRESS "RETEXO"

NEW YORK CHICAGO
ST. LOUIS MINNEAPOLIS
DETROIT CLEVELAND
LOS ANGELES

CORRESPONDENTS IN
OTHER CITIES IN U. S. A.

RESIDENT PARTNERS
E. H. WAGNER, C. P. A.
E. H. WAGNER, JR., C. P. A.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

ARCADE BUILDING

ST. LOUIS

AFFILIATED WITH

GEORGE A. TOUCHE & CO.
LONDON, ENGLAND

GEORGE A. TOUCHE & CO.
CANADA (7 OFFICES)

TOUCHE, NIVEN & CO.
PARIS, FRANCE

March 22, 1941.

To the Board of Directors of
The May Department Stores Company:

We have examined the consolidated balance sheet of The May Department Stores Company and its wholly-owned subsidiary companies as of January 31, 1941, and the consolidated statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate.

Furniture, fixtures and equipment and delivery equipment are stated in the balance sheet at a net amount of $2.00 and no deductions have been made in the income account for depreciation with respect thereto, but the net cost of additions for the year have been charged against income.

In our opinion, subject to the exception stated in the preceding paragraph relating to the accounting procedure for certain fixed assets, the accompanying consolidated balance sheet and related consolidated statements of income and surplus present fairly the position of The May Department Stores Company and its wholly-owned subsidiary companies at January 31, 1941, and the consolidated results of their operations for the fiscal year, in conformity with accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven & Co.

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THE MAY DEPARTSTC

(A[illegible]ation)

AND WHOLLY-O[illegible]DIARY

CONSOLIDATED BA[illegible]ET, J[illegible]

ASSETS

CURRENT ASSETS:		
Cash on demand deposit and on hand		$ 9,870,090.30
United States Government obligations, at cost less amortization of premium (market quotation $358,804.30)		352,991.73
Customers' notes and accounts receivable:		
Regular retail, less reserves of $551,371.94	$ 8,369,244.50	
Instalment (a portion of which is due after one year), less reserves of $404,128.33	4,585,860.52	
		12,955,105.02
Inventories:		
Merchandise on hand, on the basis of cost or market, whichever is lower, as determined by the retail inventory method	$13,637,395.76	
Merchandise in transit, at cost	1,048,546.69	
		14,685,942.45
Other current assets:		
Due from officers and employees	$ 24,755.02	
Sales tax stamps and tokens	76,794.63	
Cash deposited under escrow agreement for building construction	100,000.00	
Sundry debtors	400,999.12	
		602,548.77
Total current assets		$38,466,678.27
OTHER ASSETS:		
Land and buildings not used in store operations, at cost less depreciation of $124,735.34	$ 784,263.53	
Miscellaneous investments, at cost less reserves of $7,708.75	1,361,170.50	
Deposits with mutual and reciprocal insurance groups	12,470.73	
Miscellaneous balances	107,395.56	
		2,265,300.32
FIXED ASSETS:		
Land, buildings and leaseholds, on the basis of cost less depreciation and amortization of $10,124,956.43	$26,400,923.40	
Established amount of leases acquired subsequent to organization of the Company ($871,411.03 on the basis of original amount of $3,017,700.00 less amortization of $2,146,288.97)	1.00	
Furniture, fixtures and equipment ($4,502,483.10 on the basis of cost less depreciation)	1.00	
Delivery equipment ($181,247.63 on the basis of cost less depreciation)	1.00	
		26,400,926.40
DEFERRED CHARGES:		
Prepaid insurance, taxes, licenses, etc.	$ 478,345.83	
Inventory of supplies	269,469.03	
Mortgage discount and expense	15,511.82	
		763,326.68
GOODWILL, TRADE-NAMES, ETC.		1.00
		$67,896,232.67

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RSTORES COMPANY

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-OSIDIARY COMPANIES

BALET, JANUARY 31, 1941

STATEMENT No. 1

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable:		
Trade creditors	$ 1,168,913.85	
Trade creditors for merchandise in transit	982,135.22	
		$ 2,151,049.07
Accrued liabilities:		
Salaries, wages, bonuses and commissions	$ 1,306,515.43	
Federal taxes on income	1,905,000.00	
Other taxes	784,289.40	
Interest	55,524.58	
Miscellaneous	47,215.10	
		4,098,544.51
Other current liabilities:		
Mortgage instalments payable within one year	$ 131,250.00	
Bank loans, due May 28, 1941	600,000.00	
Reserve for outstanding trading stamps and coupons	338,588.85	
Sundry creditors	352,846.32	
		1,422,685.17
Total current liabilities		$ 7,672,278.75
RESERVES:		
For federal normal income tax on deferred profit on instalment sales	$ 391,342.06	
For insurance and pensions	64,572.69	
		455,914.75
LONG-TERM DEBT:		
Mortgages payable, due 1941 to 1950	$ 4,676,850.00	
Bank loans, due 1941 to 1948	5,000,000.00	
	$ 9,676,850.00	
Less amounts due within one year, included in current liabilities	731,250.00	
		8,945,600.00
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Authorized, 2,500,000 shares, par value $10.00 each		
Issued (including scrip equivalent to 20 shares) 1,367,352 shares	$13,673,520.00	
Surplus, from Statement No. 2:		
Earned surplus $28,480,625.10		
Capital surplus 10,037,854.07		
	38,518,479.17	
	$52,191,999.17	
Less treasury stock, 136,956 shares, at par	1,369,560.00	
		50,822,439.17
		$67,896,232.67

NOTES:

Of the 56,000 shares of capital stock reserved in 1926 for sale to employees, there remain 30,426 shares available for subscription at $55.00 per share.

The approximate cost of $1,065,000.00 to complete construction of the new store additions being erected in Baltimore, Maryland, and Denver, Colorado, is not reflected in the accounts at January 31, 1941.

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THE MAY DEPARTMENT STORES COMPANY

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1941

EARNED SURPLUS:	
Balance, February 1, 1940	$26,202,172.52
Add:	
Net profit for the year ended January 31, 1941, from Statement No. 3	5,046,798.58
	$31,248,971.10
Deduct:	
Cash dividends Nos. 116 to 118 inclusive paid on June 3, September 3 and December 2, 1940 respectively, at the rate of 75 cents per share on each date	2,768,346.00
Balance, January 31, 1941, to Statement No. 1	$28,480,625.10
CAPITAL SURPLUS:	
Balance, January 31, 1941, to Statement No. 1	$10,037,854.07
TOTAL SURPLUS, January 31, 1941	$38,518,479.17

There was no change in capital surplus account during the fiscal year.

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THE MAY DEPARTMENT STORES COMPANY

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1941

NET SALES (including those of leased departments)		$112,954,904.02
DEDUCT COST OF GOODS SOLD, SELLING, OPERATING AND ADMINISTRATIVE EXPENSES, exclusive of items listed below		101,725,208.42
		$ 11,229,695.60
DEDUCT:		
Maintenance and repairs	$ 707,157.37	
Depreciation and amortization of buildings and leaseholds	817,244.60	
Net cost of additions to furniture, fixtures, delivery and other equipment	537,208.97	
Taxes, other than those included in cost of goods sold and federal taxes on income	1,889,761.46	
Interest on mortgage and other indebtedness and amortization of mortgage discount and expense	291,257.62	
Total (exclusive of amounts included in non-trading items below)		4,242,630.02
TRADING PROFIT		$ 6,987,065.58
NON-TRADING ITEMS—NET:		
Interest on United States Government obligations less amortization of premium	$ 5,501.19	
Dividends and sundry interest	26,541.03	
Net income from land and buildings not used in store operations	65,307.67	
Net profit from sale of fixed assets and investment	5,384.69	
	$ 102,734.58	
Less:		
Loss from demolition of building	$ 14,001.58	
Investment in inactive subsidiary companies dissolved	5,000.00	
	$ 19,001.58	
		83,733.00
		$ 7,070,798.58
PROVISION FOR FEDERAL TAXES ON INCOME (including $350,000.00 for excess profits)		2,024,000.00
NET PROFIT, transferred to earned surplus, Statement No. 2		$ 5,046,798.58

NOTE: The book figures of furniture, fixtures, delivery and other equipment (aggregating $6,519,431.40) were reduced to nominal sums of $1.00 each and deferred expenses (amounting to $202,100.45) were written off by charges to earned surplus during the year ended January 31, 1933 in accordance with resolutions of the Board of Directors. Therefore, no deductions have been made in the above statement for depreciation and amortization in respect thereof. Had deductions of this nature been made and the net cost of additions, during the year, to furniture, fixtures, delivery and other equipment been capitalized instead of being charged against earnings in the above statement, the consolidated net profit would have been $4,784,833.29.

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Stores

THE M. O'NEIL COMPANY, Akron
THE MAY COMPANY, Baltimore
THE MAY COMPANY, Cleveland
THE MAY COMPANY, Denver
THE MAY COMPANY, Los Angeles
THE MAY COMPANY, Los Angeles (Wilshire)
FAMOUS-BARR COMPANY, St. Louis

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